

Ohio Demonstrational

FEEDER CALF MARKETING Program

COOPERATIVE EXTENSION SERVICE
THE OHIO STATE UNIVERSITY

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This publication is prepared for directors of Ohio Area Feeder Calf Marketing Associations. The background information presented can provide a basis for decision by both experienced and inexperienced directors.

It is not the intent of the author to present in depth all those details pertaining to special feeder calf marketing associations. The data presented are limited to those special feeder calf sales that are represented by membership on the executive committee of the Ohio Demonstrational Feeder Calf Improvement Committee.

In 1964, 5 spring sales and 17 fall sales were conducted by the eight farmer-sponsored marketing programs in Ohio. A total of 13,355 head of calves and yearlings were marketed through the special fall demonstrational sales. Early in 1965, two new associations were organized, and one association discontinued its participation with the Executive Committee of the Ohio Demonstrational Feeder Calf Improvement Committee. At the preparation of this report, nine feeder calf marketing associations were cooperating as demonstrational sales with directors in 27 counties.

Executive Committee of Ohio Demonstrational Feeder Calf Sales

In 1959, representatives of the six area feeder calf marketing groups expressed a desire to organize an executive committee to plan for representation and participation in activities related to Ohio beef cattle programs. The purpose of this committee was "to coordinate the educational programs and interests of the producers of Ohio Feeder Calves for the further improvement of producing and marketing the feeder calves."¹

Standards for Ohio Approved Feeder Calf Sales

On August 24, 1959 the Executive Committee of Ohio Demonstrational Feeder Calf Sales accepted the following standards for Ohio Approved Feeder Calf Sales:²

1. Sponsored by consignor's committee

2. Calves must be consigned by producers only
3. Committee approved consignment
4. Beef breeds only
5. Graded calves (according to quality)
6. Sold in uniform groups by sex, breed, weight, and grade
7. Calves must meet Ohio Health requirements
8. Support a beef cattle improvement program

The Executive Committee of the Ohio Demonstrational Feeder Calf Sales is composed of the president of each of the area feeder calf marketing organizations. The manager of the market with which the association contracts to sell calves and one county Extension agent from each area committee serve as ex-officio members.³

Purpose. The purpose of this executive committee is to coordinate the educational programs and interests of producers of Ohio feeder calves for the further improvement of production and marketing feeder calves.

In the past, this committee has served as a coordinating and guiding group. The members of the committee have realized that in the eyes of many of their customers they are one group—"producers of Ohio feeder calves." A uniform grading system is used for all sales, the same grader is employed, a cooperative advertising program has been used for all sales, a common hip tag has been developed and used, and many of the sales are using the same auctioneer in an effort to offer a uniform product.

Objective. To increase the net income of producers through improvement and expansion of feeder cattle markets is the aim of the Executive Committee of the Ohio Demonstrational Feeder Calf Improvement Committee.

The committee recommends that all associated sales use the term, "Ohio Approved Feeder," in their advertising.

It recommends that all area associations use official United States standards for grades of feeder cattle to identify quality in their sales.

¹ Minutes Southern Ohio Area Feeder Calf Committee Meeting, Lancaster, Ohio, April 9, 1959, page 2.

² Minutes Ohio Feeder Calf Executive Committee Meeting, August 24, 1959.

³ Minutes Southern Ohio Area Feeder Calf Committee Meeting, Lancaster, Ohio, April 9, 1959; Ohio Feeder Calf Executive Committee Meeting, August 24, 1959; Minutes State Feeder Calf Committee, December 16, 1964.

Officers of the committee will be rotated as follows:

President:

1965—Coshocton
1966—Scio
1967—Barnesville
1968—Woodfield
1969—Chillicothe
1970—Guernsey-Noble
1971—Hillsboro
1972—Southeast Ohio
1973—Lancaster

Secretary:

1965—Hillsboro
1966—Lancaster
1967—Coshocton
1968—Scio
1969—Barnesville
1970—Woodfield
1971—Chillicothe
1972—Guernsey-Noble
1973—Southeast Ohio

Expansion of the Feeder Cattle Industry in Ohio

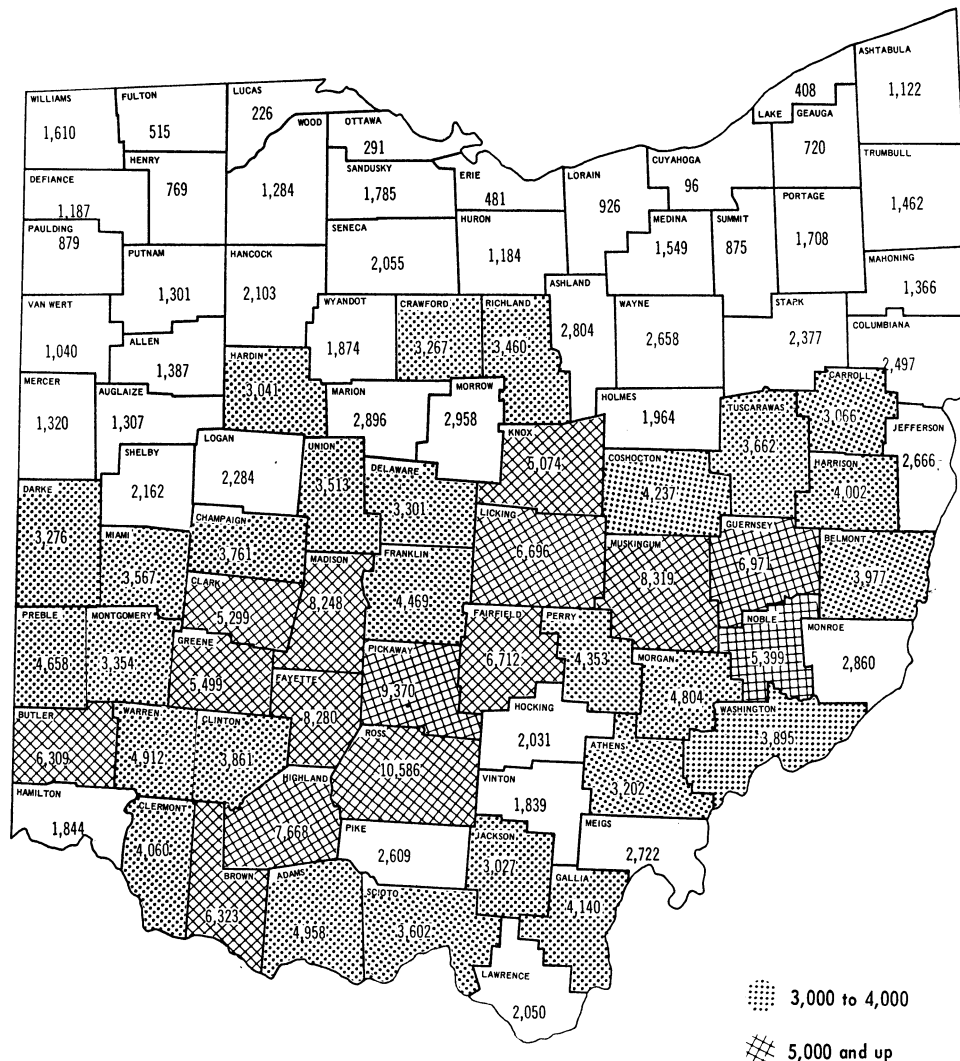
The number of cows kept for beef in Ohio increased from 59,244 head in 1940 to 284,303 head in 1960. This change in Ohio agricultural production has made available to the Ohio cattle feeder a nearby supply of quality feeder calves for his feed lots.

Expansion of Ohio Demonstrational Sales

The Ohio Demonstrational feeder calf marketing program has expanded in both numbers and area. The first special feeder calf sale was held in Ohio on October 19, 1944. A committee of farmers from Guernsey and Noble counties organized the Guernsey-Noble Cattle Producers Cooperative Association on July 5, 1944 and established their own rules, regulations, and policies. Two hundred and ten head of native feeders were sold in this first sale.

In September 1950, farmers in Athens, Meigs, Gallia, Hocking, Vinton, Jackson, and Lawrence counties organized the Southeastern Ohio Beef Cattle Association. This cooperative marketing association sponsored its first sale at Gallipolis October 17, 1950, and a year later expanded its marketing program by sponsoring a sale at Athens on October 23, 1951.

In 1965, there were nine feeder calf marketing associations with directors representing 27 counties. These nine associations hold about 24 demonstrational sales a year.



Cows Kept for Beef in Ohio, 1960

Associations Sponsoring Demonstrational Feeder Calf Sales, Date of Organization and Date of First Sale

Name of Organization	Date Organized	Date of First Sale
Guernsey-Noble Cattle Producers Association	July 5, 1944	Oct. 19, 1944
Southeastern Ohio Beef Cattle Association	September 1950 Gallipolis Athens	Oct. 17, 1950 Oct. 23, 1951
Lancaster Area Feeder Calf Improvement Committee	August 1953	Oct. 24, 1953
Coshocton Area Feeder Calf Improvement Committee	1955	Nov. 11, 1955
Chillicothe Area Feeder Calf Improvement Association	June 2, 1955	Oct. 18, 1955
Hillsboro Area Feeder Calf Improvement Committee	January 15, 1958	Oct. 16, 1958
Tri-County Feeder Calf Association (Scio)	1962	Oct. 24, 1963
Marion Area Feeder Sale Committee ¹	1962	Oct. 17, 1963
Monroe Area Feeder Calf Improvement & Mktg. Assn.	1965	Oct. 15, 1965
Barnesville Area Feeder Calf Marketing Association	1965	Oct. 21, 1965

¹ Discontinued membership in the executive committee of the Ohio Demonstrational Feeder Calf Executive Committee in 1965.

Purpose of Demonstrational Sales

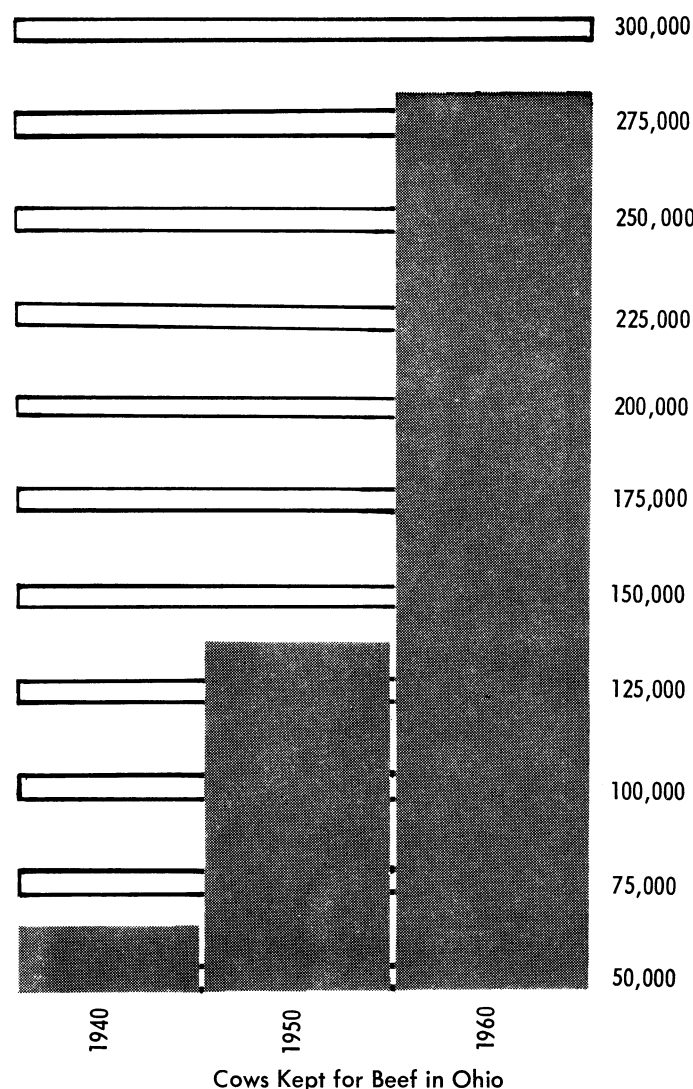
The original goal of the Cooperative Extension Service's educational program in feeder calf marketing was to demonstrate to local marketing agencies techniques and marketing methods. Feeder calf production is a supplemental enterprise to some other agricultural enterprise or off-farm employment on many southern Ohio farms. The average consignment to demonstrational sales in recent years has been about 10 head.

Ohio Demonstrational Feeder Calf Sales have served as a laboratory for experimentation with various methods of handling feeder calves and office records for special auction sales. Techniques and methods that have proven to be of economic value in improving the efficient marketing of Ohio feeder calves have been demonstrated to marketing agencies, cattle feeders, and feeder calf producers at the demonstrational sales.

Many Ohio livestock auction markets have initiated successful special feeder calf sales without the assistance of farmer committees. To assist these aggressive marketing agencies, recommended practices for conducting feeder calf sales were published by the Ohio Cooperative Extension Service in Bulletin 447, *Conducting Feeder Calf Sales*.

Organization Structure of Area Associations

A survey of associations and committees was conducted in 1964. It revealed that the Guernsey-Noble Cattle Producers Association and the Southeastern Ohio Beef Cattle



Association had been incorporated as farmer marketing cooperatives. The associations commonly referred to as Chillicothe, Hillsboro, Scio, Woodsfield, and Barnesville were organized and incorporated under Ohio's Non-Profit Corporation Law (1702).

The affairs of these sponsoring associations were entrusted to from 7 to 18 directors. Directors of these marketing associations are entrusted with the management of the business for the benefit of the members. Several different methods are used to elect directors. Some are elected by county Extension committees, one by ballots mailed to all consignors, and others at annual meetings of members.

The surplus funds resulting from sales sponsored by the area association have been disposed of in various ways, influenced in part by the organizational structure of the area association. Some of the associations prorated earnings back to county beef cattle committees in proportion to the calves marketed from that county, one association held a banquet, and those incorporated as a cooperative allocated their savings to their members in accordance with the provisions of the Ohio Cooperative Marketing Law.

Director Responsibility

The authority and responsibility for the management of an association is, under the law, delegated entirely to the board of directors who are elected periodically by the members.

The directors are entrusted with responsibilities that cannot be delegated. The laws specify that the board of directors "manage the affairs of the association." Elected as representatives of the members, the directors must (1) pay a reasonable amount of attention to the business, (2) show fidelity to the interests of the corporation, (3) exercise a reasonable prudence in the management of the association's affairs.

The law gives the elected directors the responsibility to enforce and carry out requirements of articles of incorporation and by-laws. The director must:

- Keep informed of all the activities of the association
- Act in good faith
- Act in the interest of association
- Attend all board meetings
- Know his legal and financial liabilities
- Establish policies that are in line with the association's objectives

Outside the board meeting the officers and board members have no more authority than any other member.

If a director neglects these duties, he may be sued by the membership and forced to make restitution for resulting losses out of his own pocket. The director's position is not, however, as risky as it might appear. The first two requirements are easy for an honest man to comply with, and the degree of prudence necessary to avoid liability is not really very great. A director is unlikely to be held liable because he made an honest mistake.

Contract with Marketing Agency

It is each director's responsibility that his association have a written and signed contract covering any agreements made by the association. Not only does a written agreement protect the director and the association, but it can improve the relationships of the contracting parties in discharging their obligations.

The contract with the marketing agency should be negotiated each year. The marketing charges should be determined each year and the responsibilities of each party agreed upon.

The following are a few of the responsibilities that should be clearly described in the written contracts.

Market responsibilities:

Consignment	Watering
Inspection	Loading out
Trucking	Collecting for cattle
Receiving	from buyers
Handling	Paying consignors
Weighing	or association
Handling throw outs	Advertising
Penning	Auctioneer
Feeding	Grader

Committee sale
supervisor
Marketing costs

Price reporting
Records
Night watchman

Association responsibilities:

Establishing sale standards and informing the market of these standards
Consignment

Inspection
Trucking
Grader
Auctioneer
Securing supplies

Farmers in some areas have been led to believe that marketing charges are set by the Packers and Stockyards Administration. This agency does not establish marketing charges. Marketing charges are set by the marketing agency and reported to the Packers and Stockyards Administration. This agency, however, can provide assistance if the two parties experience difficulty in arriving at a fair marketing cost and request the services of the administrator.

There are no standard contract terms for Ohio demonstration sales, since each association has been negotiating its own contract with the marketing agency. The sponsoring associations do usually select the grader and the auctioneer.

Weight Classes

Recent research on the marketing of native Ohio feeder calves through special sales has shown that buyers prefer calves offered for sale in weight ranges of 100 pounds. In the development years of the special feeder calf sales, calves were offered in weight ranges of 50 pounds. The use of the 100 pound weight spread has met with enthusiastic acceptance on the part of buyers. The 100 pound weight spread enables the grader to package more satisfactorily the calves after grading, as well as to reduce the number of holding pens required and increase the number of calves offered in each lot.

Marketing Costs

Marketing charges are the expenses of performing the "marketing functions." These marketing functions are: buying, selling, assembling, transporting, grading, packaging, storing, market information, risk bearing, and financing. The marketing firm that performs these functions is paid for its services, and this expense makes up the marketing costs. In special feeder calf auction sales sponsored by local farmer marketing associations, many of these necessary marketing functions are performed by the sponsoring association made up of the feeder calf producers. The marketing functions of assembling, grading, packaging, transporting, risk bearing, and selling are performed by the local marketing association. The efficiency of the Ohio feeder calf marketing program has been improved by moving feeder calves from producing farms to feed lots in the desired form and conditions at the lowest possible cost.

Transportation

Special feeder calf sales make a tremendous demand on local truckers. Buyers and sellers should plan their transportation as early as possible. Transportation is one of the marketing functions buyers and sellers in special feeder calf sales perform for themselves; they, therefore, receive for themselves the transportation portion of the total marketing costs.

Feeder calf producers who must hire transportation should contract for this service with a competent trucker at the time calves are consigned. The trucker and the farmer should have a complete understanding of the time the calves are to be loaded, the number, and size of the calves to be transported, the cost of transportation, who assumes the risk in case of injury and insurance coverage during transit.

The trucker must know how to reach the farm and what loading facilities are available.

The calves should be handled quietly. It is advisable to separate the calves from the herd and load them as quietly as possible with a minimum of handling. Adequate pens, gates and loading chutes can effectively reduce the amount of shrink as well as reduce stress on the calves.

Calves should be transported in a truck adequate for handling calves. Make sure the truck is clean and disinfected. The floor of the truck should be constructed and bedded to prevent calves from slipping while in transit or when the floor becomes wet. Wooden cleats fastened securely to the floor, covered with sand or similar material and then straw or hay prevents slipping and provides adequate protection. Make sure your calves are delivered to the market early in the day and well ahead of the delivery deadline.

Day Before Delivery

Some consignors have chosen to deliver calves to the market on the day prior to grading. Such a practice does improve the efficiency of handling and grading calves on grading day by providing a quantity of calves for grading at an early hour. The consignor should understand that calves held overnight in the yards can shrink in weight. To better evaluate this practice, the consignor might request a check weight on his cattle as a group upon arrival and compare his final total weights obtained the next day with his check weight. The consignor should recognize that research has shown there is little comparison in the amount of shrink between groups of cattle or individual cattle.

Buyers have consistently commented on the freshness of Ohio approved feeder calves; however, the practice of delivering young unweaned calves to the market the day before grading could result in buyer resistance.

Relationship Between Price and Size of Lot

Data collected from a selected number of special feeder calf sales in 1963, 1964, and 1965 show a relationship between price and size of sales lot. Buyers at Ohio approved sales have indicated a preference for cattle packaged in lots of 40 to 60 head. A recent survey of Ohio cattle feeders showed an annual increase of some 10 per cent each year in

the number of cattle fed. Marketing committees should encourage the offering of lots of this size at the beginning of the sales to encourage early bidding.

Grade Standards

The Executive Committee of the Ohio Demonstrational Feeder Calf Committee established the following policy on June 8, 1965: "Recommend that all area associations use official United States Standards for Grades of Feeder Cattle to identify quality of calves sold in demonstrational sales."

All calves sold in all 1964 fall Ohio demonstrational sales were graded according to the Federal feeder calf grade standards. Grade standards used in Ohio demonstrational feeder calf sales prior to the fall of 1964 were not Federal feeder calf grade standards, although Federal standard terms were used to describe quality. The grade standards used in Ohio demonstrational feeder calf sales prior to the fall of 1964 were those accepted by certain segments of Ohio's livestock marketing industry for price reporting. The use of descriptive terms such as Fancy, Choice, Good, and Medium may have erroneously implied to the uninformed that Federal feeder calf grades were being used. However, not until the fall of 1964 was any major attempt made to have the grading in Ohio demonstrational sales coincide with Federal grade standards or the grade standard used in public market news reports. However, two area sponsoring associations decided to down-grade their calves, at the time of the sale, to the grade standards used by the cooperative marketing agency at whose yards the sales were held.

Starting in the fall of 1964, Federal feeder calf grade standards were used, and the numbers on consignors scale tickets indicated quality as follows:

No. 1 = Prime

No. 2 = Choice (Top Half)

No. 3 = Choice (Bottom Half)

No. 4 = Good (Top Third)

No. 5 = Good (Middle) (On June 8, 1965 the executive voted to have the Number 5 grade represent Good rather than only the middle third of the Good grade.)

If the action taken on June 8, 1965 is retained and the Number 5 grade is used to designate the "Good" grade of feeder calves, it is recommended that the sale standards be adjusted to include in the sale all animals that qualify for the Good grade, rather than considering the bottom third of the Good grade as rejects.

Calves that do not possess sufficient quality to qualify for the Number 5 grade are called throw-outs and are not sold as a part of the special sale program.

Pricing Accuracy

Public market news services play an important role in the pricing accuracy of livestock in respect to its true value. Since Ohio does not enjoy the vital service of a public livestock market news reporting service, the Omaha Terminal market was selected as a base for daily prices

against which to measure prices received for feeder calves in Ohio Demonstrational Sales in the fall of 1963 and 1964.

In 1964, all feeder calves in all Ohio demonstrational feeder calf sales were graded using Federal feeder calf grade standards. Calves graded in the fall of 1963 were down graded approximately one full grade.

The price analysis was made using Omaha daily prices as the base and computing index members for calves of equal quality sold in Ohio Demonstrational Sales in the fall of 1963 and 1964.

In the fall of 1964, the average index of steer prices in Ohio Demonstrational sales was 99.7 (Omaha = 100) as compared to an average index of 91.2 for the steers sold in demonstrational sales in the fall of 1963 (Omaha = 100). From this data the conclusion is drawn that the pricing accuracy of steers sold in Ohio Demonstrational Sales improved 8.5 per cent in 1964 over 1963. Since the only major change in Ohio sales from 1963 to 1964 was in the quality designation of the calves, it is evident that the use of Federal feeder calf grade standards to identify quality raised the prices paid for Ohio feeder calves 8.5 per cent closer to the market price.

Heifer calves had an index of 89.4 per cent (Omaha = 100) in 1964 and 86.8 per cent (Omaha = 100) in 1963. While there has been some improvement in the pricing accuracy, it is not as great as that for steers. The spread between heifer and steer prices in the Ohio Demonstrational Sales was \$4.38 a hundred pounds in 1964. While the 1964 heifer-steer spread was approximately 75 cents a hundred greater than the 1963 spread, it was only 39 cents a hundred below the record high set in 1962 Ohio Demonstrational Sales.¹ Therefore, one might conclude that in an average year the down grading of heifers could have a price depressing effect nearly equal to that for steers.

Federal grade standards are basic to the modern day marketing of livestock and meats in the United States. This comprehensive statement is made with the full realization that only a minor portion of the livestock and meat produced is officially identified for grade as it moves through the marketing processes. Nevertheless, the efficient functioning of our complicated marketing structure depends on a national yardstick to identify the volume as well as the prices that are being paid for the various qualities of livestock and meat.

A uniform language and grading standard is so essential in our modern merchandising that if the Federal government were not to provide it, private sources would have to. Federal grade standards for feeder calves offer a single set of grade standards and a uniform, understandable language that all segments of the industry and areas of the county can use.

The Future

Special feeder calf sales have been an effective method of marketing for Ohio feeder calf producers and cattle feeders. The continued success of Ohio feeder calf marketing associations is as it has always been—dependent upon the capabilities of its leadership.

Ohio feeder calf marketing associations are in a competitive marketing situation. They must continue to provide services as economically and satisfactorily as their competition, if they are to exist.

The special auction sales have provided a vehicle for bringing the seller (feeder calf producers) and the buyer (cattle feeders) together in a selected market place. The bringing of producers and users (cattle feeders) together in a common market has in the past reduced some of the marketing costs, thus tending to increase the satisfaction of the buyers and sellers.

There is no assurance that auction selling will meet the demands of the Ohio feeder calf producer and/or the Ohio cattle feeder of the future.

Farmer directors of feeder calf marketing associations must continually study and evaluate their marketing program. Directors must keep in mind that in producing a feeder calf they have created one utility—**form** utility. For this calf to be of value, the utilities of **time**, **place**, and **possession** must be created. The creation of these three utilities is the task of marketing. That is to say that for the feeder calf to have value, it must be where the buyer wants it, when the buyer wants it, and with provisions for possession or the transfer of ownership.

Farmer directors in evaluating the marketing program they are making available to their members must strive to obtain adequate facts about their present method of marketing and other possible alternatives. The tasks of fact finding, analysis, uncovering pertinent relationships, determining the key issues and creating possible new actions offers a real challenge to farmer directors. Ohio State University Extension livestock marketing specialists and livestock marketing specialists of the Farmer Cooperative Service are two valuable and capable sources of factual information.

In our rapidly changing economy, past success does not insure future success! At least once a year the directors, with the assistance of the Extension specialists in livestock marketing, should: (1) determine all the alternative marketing techniques and methods possible, (2) evaluate each alternative, and (3) select the best alternatives.

Directors of Ohio feeder calf marketing associations lack factual price information to use in the evaluation of their present marketing program and alternative programs. Complete factual information, as a tool to evaluate, is an ideal to be sought.

Public livestock price reporting is not currently available for Ohio livestock markets. A public market news service could provide farmer directors with price information equal to that available to his competitors. Public market news service will be available for reporting Ohio livestock prices if and when Ohio farmers request the service.

Current trends in livestock marketing indicate that farmer directors of feeder calf marketing associations may need to study the possibility of (1) holding sales each month to meet buyers' demands for a uniform supply (time utility), (2) fewer sale points to make feeders available where cattle feeders have easy access to them (place utility), (3) a cooperative feedlot where buyers can go any day of the year to examine and buy feeder calves (time, place, form and possession utility).

¹ Analysis of Ohio Demonstrational Feeder Calf Grade Standards, 1964, Agricultural Economics Bulletin 379, Ohio State University, page 26.

